

**Consolidated Gravity Drainage (District No. 2
of the Parish of St. Mary
State of Louisiana
Financial Report
Year Ended September 30, 2001**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the State House office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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MORGAN CITY, LOUISIANA, 70301

STATE OF
LOUISIANA
DEPARTMENT OF REVENUE
MORGAN CITY, LOUISIANA
70301

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Consolidated Gravity Drainage District No. 2
Parish of St. Mary
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of Consolidated Gravity Drainage District No. 2, a component unit of the Parish of St. Mary, State of Louisiana, as of September 30, 2001 and for the year ended as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Gravity Drainage District No. 2 as of September 30, 2001, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2002, on our consideration of Consolidated Gravity Drainage District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

LeBlanc and Carpenter

Morgan City, Louisiana
March 8, 2002

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

Combined Balance Sheet - All Fund Types

September 30, 1991

Governmental Fund Types

| | <u>General Expense</u> | <u>Debt Service</u> |
|------------------------------------------------------------------|----------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$334,538 | \$448,618 |
| Interest receivable | -- | -- |
| Due from St. Mary Parish Sheriff | -- | -- |
| Due from St. Mary Parish Council | -- | -- |
| Due from other funds | -- | 650 |
| Due from FULMA | 78,818 | -- |
| Prepaid expenses | 1,006 | -- |
| Property, plant and equipment | -- | -- |
| Amount available for debt retirement | -- | -- |
| Funds to be provided for retirement of general long-term debt | -- | -- |
| TOTAL ASSETS | \$511,662 | \$449,268 |
| LIABILITIES | | |
| Accounts payable | \$ 4,327 | \$ -- |
| Contracts payable | -- | -- |
| Due to St. Mary Parish Council | -- | -- |
| Due to Debt Service Fund | 858 | -- |
| Due to Capital Projects Fund | -- | -- |
| Arbitrage rebate | -- | -- |
| General Obligation Bonds, Series 1988 | -- | -- |
| TOTAL LIABILITIES | \$ 5,185 | \$ -- |
| FUND EQUITY | | |
| Investment in general fixed assets | -- | -- |
| Fund balances: | | |
| Reserved for debt service | -- | 448,266 |
| Designated for capital projects | -- | -- |
| Unreserved and undesignated | 346,402 | -- |
| TOTAL FUND EQUITY | \$446,482 | \$449,268 |
| TOTAL LIABILITIES AND FUND EQUITY | \$511,662 | \$449,268 |

| Governmental Fund Types | Account Groups | | Totals (Revenues Only) | |
|----------------------------|---------------------------|------------------------------|---------------------------|------------------|
| | General Fund Assets | General Long-Term Debt | 2001 | 2000 |
| Capital Projects | | | | |
| \$4,586,231 | \$ -- | \$ -- | \$ 3,378,425 | \$ 5,862,346 |
| -- | -- | -- | -- | 13,234 |
| -- | -- | -- | -- | 36,850 |
| -- | -- | -- | -- | 14,823 |
| -- | -- | -- | 658 | 3,808 |
| -- | -- | -- | 26,819 | -- |
| -- | -- | -- | 1,886 | -- |
| -- | 6,953,647 | -- | 6,953,647 | 6,828,281 |
| -- | -- | 449,266 | 449,266 | 321,495 |
| <u>-----</u> | <u>-----</u> | <u>449,266</u> | <u>4,460,734</u> | <u>4,738,903</u> |
| \$4,596,231 | \$6,953,647 | \$4,918,089 | \$17,170,826 | \$17,002,805 |
| | | | | |
| \$ -- | \$ -- | \$ -- | \$ 4,583 | \$ 7,693 |
| 63,483 | -- | -- | 63,483 | 128,416 |
| -- | -- | -- | -- | 39,000 |
| -- | -- | -- | 658 | -- |
| -- | -- | -- | -- | 3,808 |
| 78,453 | -- | -- | 78,453 | -- |
| <u>-----</u> | <u>-----</u> | <u>4,918,089</u> | <u>4,918,089</u> | <u>5,080,800</u> |
| \$ 133,996 | \$ ----- | \$4,918,089 | \$ 5,089,173 | \$ 5,096,489 |
| | | | | |
| \$ -- | \$6,953,647 | \$ -- | \$ 6,953,647 | 6,828,281 |
| -- | -- | -- | 449,266 | 321,495 |
| 4,373,338 | -- | -- | 4,373,338 | 4,359,337 |
| <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>346,489</u> | <u>283,323</u> |
| \$4,373,338 | \$6,953,647 | \$ ----- | \$12,121,653 | \$11,796,486 |
| | | | | |
| \$4,596,271 | \$6,953,647 | \$4,918,089 | \$17,170,826 | \$17,002,925 |

See Notes to the Financial Statements.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balance-All Governmental Fund Types
For the year ending September 30, 2001**

| | <u>Governmental Fund Types</u> | |
|-----------------------------------------------------------------------------------|--------------------------------|------------------|
| | <u>General</u> | <u>Fonds</u> |
| | <u>Operations</u> | <u>Services</u> |
| REVENUES | | |
| Ad valorem taxes | \$234,315 | \$318,812 |
| Intergovernmental | <u>17,313</u> | <u>38,126</u> |
| TOTAL REVENUES | <u>251,628</u> | <u>356,938</u> |
| EXPENDITURES | | |
| Advertising | 693 | -- |
| Audit fees | 3,183 | -- |
| Fuel | 37,383 | -- |
| Insurance | 15,491 | -- |
| Stationery and accounting | 4,000 | -- |
| Maintenance labor | 21,525 | -- |
| Office supplies, rent, other | 5,497 | -- |
| Payroll allowances | 7,485 | -- |
| Repairs and maintenance | | |
| Landscape equipment | 31,121 | -- |
| Landscape system | 23,522 | -- |
| Utilities, telephone | 10,882 | -- |
| Emergency operations | 30,531 | -- |
| Drainage System Improvements | | |
| Construction costs | 13,593 | -- |
| Bond principal | -- | 178,800 |
| Bond interest and fees | <u>---</u> | <u>345,812</u> |
| TOTAL EXPENDITURES | <u>227,238</u> | <u>413,812</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>25,014</u> | <u>127,271</u> |
| OTHER FINANCING SOURCES AND (USES) | | |
| State of Louisiana, grant | -- | -- |
| Intergovernmental transfer - SHPC | -- | -- |
| F.A.M.A. reimbursement | <u>36,818</u> | <u>---</u> |
| NET OTHER FINANCING SOURCES AND (USES) | <u>36,818</u> | <u>---</u> |
| EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | <u>61,832</u> | <u>127,271</u> |
| FUND BALANCE-BEGINNING OF PERIOD | <u>285,173</u> | <u>321,489</u> |
| FUND BALANCE-END OF PERIOD | <u>\$346,985</u> | <u>\$448,760</u> |

| Governmental Fund Types Capital Projects | Totals (Minimums Only) | |
|------------------------------------------------|---------------------------|-------------------|
| | 2001 | 2000 |
| \$ -- | \$ 752,531 | \$ 715,684 |
| <u>148,811</u> | <u>152,389</u> | <u>282,205</u> |
| <u>148,811</u> | <u>943,835</u> | <u>1,032,959</u> |
| -- | 685 | 796 |
| -- | 3,185 | 3,185 |
| -- | 27,583 | 12,138 |
| -- | 15,491 | 11,729 |
| -- | 4,000 | 2,886 |
| -- | 21,325 | 17,180 |
| -- | 5,497 | 2,080 |
| -- | 7,485 | 5,525 |
| -- | 51,131 | 48,629 |
| -- | 29,522 | 27,280 |
| -- | 18,082 | 6,249 |
| -- | 21,591 | -- |
| 113,813 | 133,566 | 1,342,589 |
| -- | 178,080 | 168,080 |
| <u>113,813</u> | <u>343,017</u> | <u>254,985</u> |
| <u>113,813</u> | <u>758,099</u> | <u>1,808,328</u> |
| <u>32,858</u> | <u>185,783</u> | <u>(177,368)</u> |
| -- | -- | 314,385 |
| -- | -- | 14,515 |
| <u>32,858</u> | <u>328,018</u> | <u>318,979</u> |
| <u>32,858</u> | <u>328,018</u> | <u>318,979</u> |
| 32,858 | 211,861 | (548,799) |
| <u>4,358,337</u> | <u>4,956,285</u> | <u>5,504,680</u> |
| <u>34,375,732</u> | <u>23,168,085</u> | <u>24,935,285</u> |

See Notes to the Financial Statements.

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 1
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

**Operation and Maintenance Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual**

For the year ended September 30, 2001

| | 9-30-01 | | | 9-30-00 |
|--------------------------------------------------------------------------------------|------------------|------------------|------------------------------------|------------------|
| | Budget | Actual | Preceding (Unallocable) | Actual |
| REVENUES | | | | |
| Ad valorem taxes | \$210,000 | \$234,519 | \$24,519 | \$278,985 |
| Interest income | <u>12,000</u> | <u>17,715</u> | <u>5,715</u> | <u>13,087</u> |
| TOTAL REVENUES | <u>222,000</u> | <u>252,234</u> | <u>30,234</u> | <u>292,072</u> |
| EXPENDITURES | | | | |
| Advertising | 1,500 | 685 | 885 | 785 |
| Audit fees | 3,000 | 3,185 | — | 3,185 |
| Engineering consultants | 2,000 | — | 2,000 | — |
| Fuel | 28,000 | 37,583 | (9,852) | 12,178 |
| Insurance | 13,000 | 15,481 | (2,481) | 13,229 |
| Secretary and accounting | 3,315 | 4,000 | 685 | 2,805 |
| Maintenance labor | 17,000 | 21,525 | (4,425) | 17,100 |
| Office supplies, auto, other | 1,300 | 3,487 | (1,997) | 2,802 |
| Per diem allowance | 5,850 | 7,487 | (1,557) | 5,525 |
| Repairs and maintenance | | | | |
| Drainage equipment | 50,250 | 51,121 | 4,628 | 48,628 |
| Drainage system | 30,000 | 25,522 | 5,478 | 27,220 |
| Utilities, telephone | 10,000 | 10,081 | 719 | 8,249 |
| Emergency operations | 5,000 | 31,551 | (26,551) | |
| Drainage System Improvements | | | | |
| Construction costs | <u>45,000</u> | <u>17,553</u> | <u>27,447</u> | <u>—</u> |
| TOTAL EXPENDITURES | <u>222,000</u> | <u>272,220</u> | <u>(9,220)</u> | <u>157,916</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>—</u> | <u>25,014</u> | <u>29,414</u> | <u>134,896</u> |
| OTHER SOURCES (USES) | | | | |
| F.S.M.A. reimbursement | <u>—</u> | <u>26,018</u> | <u>26,018</u> | <u>—</u> |
| NET OTHER SOURCES (USES) | <u>—</u> | <u>26,018</u> | <u>26,018</u> | <u>—</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | <u>0</u> | <u>51,032</u> | <u>55,432</u> | <u>134,896</u> |
| APPROPRIATION OF FUND BALANCE-CASH RESERVE | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| FUND BALANCE, BEGINNING | <u>286,273</u> | <u>266,373</u> | <u>—</u> | <u>189,472</u> |
| FUND BALANCE, ENDING | <u>\$286,273</u> | <u>\$346,485</u> | <u>\$55,432</u> | <u>\$299,373</u> |
| See accompanying notes to financial statements. | | | | |

**CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

Notes to Financial Statements

September 30, 2001

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

On November 12, 1997, the St. Mary Parish Council created "Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary," a consolidated gravity drainage district which included the boundaries of Gravity Drainage District No. 3 and Gravity Drainage District No. 5. During 1998, the Consolidated Gravity Drainage District No. 2 passed propositions which will allow the District to assess property taxes for the construction, operation, and maintenance of gravity and forced drainage works, the said taxes to be in lieu of and replace the levy of similar taxes previously authorized to be levied by Gravity Drainage District No. 3 and Gravity Drainage District No. 5.

Gravity Drainage District No. 3 and Gravity Drainage District No. 5 transferred all assets and obligations to Consolidated Gravity Drainage District No. 2 in early 1998. At that time the consolidated drainage district began to carryout all operations, maintenance, and construction from its own resources. As directed by the St. Mary Parish Council, Gravity Drainage District No. 3 and Gravity Drainage District No. 5 and their Board of Commissioners ceased to exist and function at that time.

The Consolidated Gravity Drainage District No. 2 was created and established pursuant to the provisions of an ordinance adopted by the St. Mary Parish Council, all in accordance with the provisions of Part II, Chapter 3, Title 38 of the Louisiana Revised Statutes of 1950, as amended. The District is managed by five board of commissioners as appointed by the St. Mary Parish Council. The District has full power and authority to drain lands in the district by construction, maintenance and operation of gravity and/or forced drainage facilities, including drains, drainage canals, ditches, pumps and pumping plants, dikes, levees and other related works.

The financial statements of Consolidated Gravity Drainage District No. 2 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the guidelines set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*, published by the American Institute of Certified Public Accountants.

The following is a summary of certain significant accounting policies and practices.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity

GASB Statement No. 14, *Governmental Reporting Entity*, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Consolidated Gravity Drainage District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 2001. The Consolidated Gravity Drainage District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The District reports its financial position and results of operations by using funds and accounts groups. Each fund is a separate accounting entity with self-balancing accounts that include assets, liabilities, fund equity, revenue, and expenditures, or expenses, as appropriate. An account group is a self-balancing set of accounts used for financial reporting purposes to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net spendable available financial resources. The funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary. There are two account groups. The funds and accounts groups presented in these financial statements are described below.

GOVERNMENTAL FUNDS are accounted for on a current financial resources measurement basis. The balance sheets generally contain only current assets and current liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period.

The OPERATION AND MAINTENANCE FUND is the general operating and administrative fund of the District. It accounts for all financial resources except those required to be accounted for in another fund or account group.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and drainage system improvements.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All governmental fund type operations are accounted for on a spending or "financial flow" measurement basis and only current assets and current liabilities are generally included in the balance sheet.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

Basis of Accounting

The MODIFIED ACCRUAL BASIS OF ACCOUNTING is used by all governmental fund types. Under the modified accrual basis of accounting, REVENUES ARE RECOGNIZED when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. EXPENDITURES ARE RECORDED when the related FUND LIABILITY is incurred except that principal and interest on general long-term debt is recognized when due.

Cash and Investments

Cash and cash equivalents includes amounts in demand deposit checking, interest bearing checking and certificates of deposit.

State statute authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts, mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies; Louisiana Asset Management Pool (LAMP); and any other investment allowed by state statute for local governments.

Investments are stated at cost or amortized cost when applicable.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts in the year they are deemed uncollectible. The failure to utilize the allowance method to account for bad debts is not material to the financial statements.

Arbitrage Rebate

The District has utilized the "revenue reduction method" for recording the estimated arbitrage rebate liability on its General Obligation Bonds, Series 1998.

Use of Estimates

The District's management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

Total Columns on the Combined Financial Statements

The total columns on the Combined Balance Sheet are captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Trifoloid eliminations have not been made in the aggregation of this data.

NOTE B - AD VALOREM TAX ASSESSMENT

Consolidated Gravity Drainage District No. 2 submitted a proposition that received voter approval in May 1998 that includes railings for operation and maintenance and railings for repayment of a substantial bond issue for capital improvement projects. 4.98 mills and 11.0 mills was assessed for the operation and maintenance fund and the debt service fund respectively for 2000.

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all local property, merchandise and movable property located in the Parish. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A revaluation was completed for the list of properties at January 1, 1998. Taxes are due and payable December 31 with interest being charged on payments after February 1.

NOTE C - CASH AND INTEREST BEARING DEPOSITS

At present, all of the District's cash and cash equivalents are in demand deposits at a fiscal agent bank. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the District or with an unaffiliated bank or trust company for the account of the District.

The District's deposits are categorized to give an indication of the level of risk assumed by the District at September 30, 2001:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name).

At September 30, 2001, the District has cash and interest-bearing deposits (bank balances) totaling \$5,278,425, as follows:

| | Operation & Maintenance | Debt Service | Capital Project | Total |
|----------------------------------|----------------------------|-----------------|--------------------|-------------|
| Cash - Interest bearing checking | \$329,538 | \$448,616 | \$4,500,271 | \$5,278,425 |
| Total | \$329,538 | \$448,616 | \$4,500,271 | \$5,278,425 |

Deposit balances (bank balances) at September 30, 2001, are secured as follows:

| | |
|------------------------------------------------|------------------|
| Bank balances | \$5,278,425 |
| Federal deposit insurance (Category 1) | \$ 100,000 |
| Pledged securities (Category 1) | <u>5,168,425</u> |
| Total federal insurance and pledged securities | \$5,268,425 |
| Excess | \$ 110,000 |

NOTE D - DEBT (TO) FROM OTHER FUNDS OR GOVERNMENTS

| | Debt Service Due From Other Funds | General Due (To) Other Funds | General Due From Other Governments |
|------------------------------------------------------|-----------------------------------------|------------------------------------|---------------------------------------------|
| Due (to) Debt Service Fund (ad valorem tax) | \$650 | \$650 | \$ -- |
| Due from F.I.M.A. (Disaster cost - reimbursement) | <u>---</u> | <u>---</u> | <u>26,018</u> |
| | \$650 | \$650 | \$26,018 |

NOTE E - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 2004, or during the year then ended, the following individuals served on the Board of Commissioners for Consolidated Gravity Drainage District No. 2 and were paid for meetings attended for the District. These amounts were treated as operating expenses by the District. During the year there were numerous special meetings held for construction projects.

| Name | Meeting Per Diem | Travel Per Diem | Total |
|-----------------|---------------------|--------------------|--------------|
| Raymond Hancome | \$1,568 | \$ -- | \$1,568 |
| Carl Krueger | 1,259 | 192 | 1,457 |
| Keris Landry | 1,360 | -- | 1,360 |
| Daniel Wilson | 1,568 | -- | 1,568 |
| Harold Wilson | <u>1,568</u> | <u>---</u> | <u>1,568</u> |
| | \$7,213 | \$192 | \$7,407 |

NOTE F - CONTRACTS PAYABLE

The District has entered into an engineering contract for design of pump stations, channel and levee improvements. The balance in contracts payable of \$63,483 is for engineering fees on the project.

NOTE G - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

| | Balance 9-30-03 | Additions | (Deletions) | Balance 9-30-04 |
|----------------------------|--------------------|----------------|-------------|--------------------|
| Drainage system: | | | | |
| Equipment and improvements | \$6,719,535 | \$ 13,553 | \$ -- | \$6,733,088 |
| Land | 19,896 | -- | -- | 19,896 |
| Office building | 7,080 | -- | -- | 7,080 |
| Office equipment/furniture | 3,172 | -- | -- | 3,172 |
| Construction in progress | <u>80,798</u> | <u>115,813</u> | <u>---</u> | <u>196,611</u> |
| Total General Fixed Assets | \$6,820,281 | \$133,366 | \$ --- | \$6,953,647 |

NOTE G - CHANGES IN GENERAL FIXED ASSETS (Continued)

The historical cost of general fixed assets transferred by Gravity Drainage District No. 3 and Gravity Drainage District No. 5 was \$2,668,745 and \$2,154,669, respectively. By intergovernmental agreement, land, building, and improvements valued at \$100,000 was retained from Drainage District No. 1 of St. Mary Parish.

NOTE H - GENERAL LONG-TERM DEBT

A summary of general long-term debt is as follows:

| Description | Balance at 9-30-90 | Issued | Balance at Period | 9-30-91 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------|----------------------|-------------|
| \$5,340,000 of General Obligation Bonds, Series 1990, of Consolidated Gravity Drainage District No. 2 of the Parish of St. Mary, State of Louisiana | \$1,000,000 | \$----- | \$170,000 | \$4,340,000 |
| | \$5,000,000 | \$----- | \$170,000 | \$4,340,000 |

Bond indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions as of September 30, 2001.

See page 14 for a summary of bond principal maturities and interest requirements.

NOTE 11 - (OMNIAL LONG-TERM DEBT (Continued)

Following is a summary of bond principal maturities and interest requirements:

| Payment Date | Principal Due | Interest Rate | Interest Due | Semi-Annual Debt Service | Calendar Year Debt Service |
|-----------------------|------------------|------------------|-----------------|-----------------------------|-------------------------------|
| 3-1-1999 | | | 128,811.25 | 128,811.25 | |
| 9-1-1999 | | | 128,811.25 | 128,811.25 | 297,222.50 |
| 3-1-2000 | 160,800 | 5.40% | 128,811.25 | 288,811.25 | |
| 9-1-2000 | | | 134,291.25 | 134,291.25 | 412,903.50 |
| 3-1-2001 | 170,800 | 5.40% | 134,291.25 | 294,291.25 | |
| 9-1-2001 | | | 119,700.25 | 119,700.25 | 413,993.50 |
| 3-1-2002 | 180,800 | 5.40% | 119,700.25 | 294,700.25 | |
| 9-1-2002 | | | 114,840.25 | 114,840.25 | 414,542.50 |
| 3-1-2003 | 190,800 | 5.40% | 114,840.25 | 304,840.25 | |
| 9-1-2003 | | | 109,711.25 | 109,711.25 | 414,552.50 |
| 3-1-2004 | 200,800 | 5.40% | 109,711.25 | 308,711.25 | |
| 9-1-2004 | | | 104,311.25 | 104,311.25 | 414,602.50 |
| 3-1-2005 | 210,800 | 5.40% | 104,311.25 | 314,311.25 | |
| 9-1-2005 | | | 99,641.25 | 99,641.25 | 412,652.50 |
| 3-1-2006 | 220,800 | 5.40% | 99,641.25 | 323,641.25 | |
| 9-1-2006 | | | 92,566.25 | 92,566.25 | 416,260.50 |
| 3-1-2007 | 230,800 | 5.40% | 92,566.25 | 329,566.25 | |
| 9-1-2007 | | | 86,321.25 | 86,321.25 | 413,787.50 |
| 3-1-2008 | 230,000 | 5.40% | 86,321.25 | 336,321.25 | |
| 9-1-2008 | | | 79,471.25 | 79,471.25 | 413,692.50 |
| 3-1-2009 | 240,000 | 4.80% | 79,471.25 | 344,471.25 | |
| 9-1-2009 | | | 73,641.25 | 73,641.25 | 418,112.50 |
| 3-1-2010 | 280,000 | 4.65% | 73,641.25 | 353,641.25 | |
| 9-1-2010 | | | 67,401.25 | 67,411.25 | 421,852.50 |
| 3-1-2011 | 290,000 | 4.90% | 67,401.25 | 363,411.25 | |
| 9-1-2011 | | | 60,773.75 | 60,773.75 | 423,185.00 |
| 3-1-2012 | 300,000 | 4.95% | 60,773.75 | 370,773.75 | |
| 9-1-2012 | | | 53,791.25 | 53,721.25 | 424,499.00 |
| 3-1-2013 | 300,000 | 4.80% | 53,721.25 | 383,721.25 | |
| 9-1-2013 | | | 46,131.25 | 46,131.25 | 426,852.50 |
| 3-1-2014 | 345,000 | 4.65% | 46,131.25 | 391,131.25 | |
| 9-1-2014 | | | 38,190.00 | 38,110.00 | 428,240.25 |
| 3-1-2015 | 365,000 | 4.70% | 38,190.00 | 403,110.00 | |
| 9-1-2015 | | | 29,932.00 | 29,932.00 | 432,642.50 |
| 3-1-2016 | 385,000 | 4.75% | 29,932.00 | 414,332.00 | |
| 9-1-2016 | | | 28,388.75 | 20,388.75 | 434,921.25 |
| 3-1-2017 | 410,000 | 4.80% | 28,388.75 | 400,388.75 | |
| 9-1-2017 | | | 18,548.75 | 10,548.75 | 440,857.50 |
| 3-1-2018 | 425,000 | 4.85% | 18,548.75 | 405,548.75 | 443,388.75 |
| TOTALS: | 5,240,000 | | 3,845,863.75 | 8,285,863.75 | 8,285,863.75 |
| Less Accounts Paid | (130,000) | | (154,113.50) | (1,084,112.50) | (1,084,112.50) |
| | 4,910,000 | | 2,291,750.25 | 7,201,750.25 | 7,201,750.25 |

NOTE I - FUNDS TO BE PROVIDED FOR INTEREST ACCRUING IN FUTURE PERIODS

Under normal conditions, bond issues are not retired prior to their maturity. Although for accounting purposes, interest coupons issued in connection with the sale of bond issues become obligations/expenditures of the District only with the passage of time, for all practical purposes they constitute fixed and determinable obligations which must be retired from dedicated revenues. The following table indicates unretired interest coupons outstanding at September 30, 2003, and the amounts which can be presumed to be required in the future years for retirement of interest coupons which will become payable over the remaining life of the bond issue:

| | General Obligation Bonds Series 1998, to be retired from ad valorem taxes and <u>earnings on investments</u> |
|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| | 2004 |
| Amount to be provided per financial statements | \$4,460,734 |
| Unretired interest coupons | <u>2,291,748</u> |
| TOTAL | \$6,752,482 |

NOTE J - CONTINGENCIES AND UNCERTAINTIES

In September, 1998, the District issued \$5,248,000 of general obligation bonds to be used for Capital Projects. Due to unforeseen difficulties encountered in acquiring U.S. Corps of Engineers permits numerous delays have occurred in designing and completing the construction improvements. At September 30, 2003, \$4,386,271 remains in the Capital Projects Fund for completion of projects estimated to cost \$5,500,000 and an estimated completion date of December, 2005. At times since the issuance of the bonds, the proceeds in the Capital Projects Fund have been invested at interest rates greater than the yield being paid on the bonds. Arbitrage is the excess interest earned by the governmental unit over the interest paid to the bondholders. Federal tax code requirements compel state and local governments to rebate "defined" arbitrage earnings of the tax-exempt debt to the federal government every five years for as long as the bonds are outstanding. The Commission's bond account has estimated the potential rebate liability to be \$70,453 as of September 30, 2004. This estimate will change based upon actual investment results until all bonds proceeds have been expended.

NOTE K - F.E.M.A. REIMBURSEMENTS

The Commission received \$26,018 in reimbursement from the Federal Emergency Management Agency (F.E.M.A.) for emergency costs incurred as a result of tropical storm "Allison". Costs incurred are included in "Emergency Operations" on the combined statement of revenues and expenditures. The Commission complied with all federal requirements and documentation in order to receive the F.E.M.A. reimbursement.

CONSOLIDATED GRAVITY DRAINAGE DISTRICT NO. 2
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT ACCOUNTING STANDARDS

PERIOD ENDED SEPTEMBER 30, 2001

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
1700 PONTCHARTRAY BLVD., P.O. BOX 904010
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CLIENT: CONSOLIDATED GRAVITY DISTRICT NO. 2
THOMAS H. CARPENTER, CPA

SUBJECT:
MANAGEMENT OF
CONSOLIDATED GRAVITY DISTRICT NO. 2

SOCIETY OF LEBLANC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Consolidated Gravity Drainage District No. 2
Parish of St. Mary
Metairie City, Louisiana

We have audited the general purpose financial statements of Consolidated Gravity Drainage District No. 2, as of and for the year September 30, 2001, and have issued our report thereon dated March 8, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Consolidated Gravity Drainage District No. 2's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. There were no prior year findings.

The prior year audit noted certain (immaterial) instances of noncompliance that were reported to the management of Consolidated Gravity Drainage District No. 2 in a separate letter dated February 9, 2001. See comments reported to management regarding the status of prior year comments in a letter dated March 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Consolidated Gravity Drainage District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Consolidated Gravity Drainage District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

LeBlanc and Carpenter

March 8, 2002
Morgan City, Louisiana

COMMENTS TO MANAGEMENT

LEBLAND AND CARPENTER
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THIRTYSEVENTH, TWO, DOWNSWORTH
MERIDIAN CITY, LOUISIANA 39301
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JOINT MEMORANDUM DATED: 2002
THOMAS H. CARPENTER, CPA

REPORT
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF I.B.A.A.A.
CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS TO MANAGEMENT

To the Board of Directors
Consolidated Gravity Drainage District No. 2
Merger City, Louisiana

During the performance of our prior year audit of the Consolidated Gravity Drainage District No. 2 for the year ending September 30, 2001, we noted certain immaterial instances of noncompliance with state laws that were clearly inconsequential to the audit results. However, we felt these instances of noncompliance should be communicated to the Board of Commissioners for future reference.

MINUTES OF MEETINGS

The prior year audit disclosed instances of Board meetings being held and per diem being paid to members with no minutes of meetings being recorded or published in the local journal. During the current year audit for the year ending September 30, 2001 minutes of meetings and publication in the local journal were noted for A.I.C. regular meetings and the twelve special meetings held during the year.

These comments regarding immaterial instances of noncompliance have been made to management for future reference in planning and monitoring the activities of the Consolidated Gravity Drainage District No. 2.

LeBlanc and Carpenter

Merger City, Louisiana
March 8, 2002